

105TH CONGRESS  
1ST SESSION

# S. 860

To protect and improve rural health care, and for other purposes.

---

IN THE SENATE OF THE UNITED STATES

JUNE 9, 1997

Mr. HARKIN introduced the following bill; which was read twice and referred  
to the Committee on Finance

---

## A BILL

To protect and improve rural health care, and for other  
purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Rural Health Care  
5       Protection and Improvement Act of 1997”.

6       **SEC. 2. EXTENSION OF RURAL HEALTH TRANSITION GRANT**  
7       **PROGRAM.**

8       Section 4005(e) of the Omnibus Budget Reconcili-  
9       ation Act of 1987 (42 U.S.C. 1395ww note) is amended—

10               (1) in paragraph (6), by adding at the end the  
11       following: “The Administrator may adjust the

---

1 amount of a grant to a hospital under this sub-  
 2 section, or terminate the grant, if the Administrator  
 3 determines that the hospital is using the grant for  
 4 an inappropriate use under this subsection.”; and

5 (2) in paragraph (9), by striking “1997” and  
 6 inserting “1997, and such sums as are necessary for  
 7 each of fiscal years 1998 through 2002”.

8 **SEC. 3. IMPROVING FAIRNESS OF PAYMENTS TO HEALTH**  
 9 **MAINTENANCE ORGANIZATIONS AND COM-**  
 10 **PETITIVE MEDICAL PLANS.**

11 (a) IN GENERAL.—Section 1876(a) of the Social Se-  
 12 curity Act (42 U.S.C. 1395mm(a)) is amended to read as  
 13 follows:

14 “(a)(1)(A) The Secretary shall annually determine,  
 15 and shall announce (in a manner intended to provide no-  
 16 tice to interested parties) not later than April 30 before  
 17 the calendar year concerned—

18 “(i) a per capita rate of payment for individuals  
 19 who are enrolled under this section with an eligible  
 20 organization that has entered into a risk-sharing  
 21 contract and who are entitled to benefits under part  
 22 A and enrolled under part B;

23 “(ii) a per capita rate of payment for individ-  
 24 uals who are so enrolled with such an organization  
 25 and who are enrolled under part B only; and

1           “(iii) the factors to be used by the Secretary in  
 2       adjusting the annual capitation rate under subpara-  
 3       graph (B)(ii).

4 For purposes of this section, the term ‘risk-sharing con-  
 5 tract’ means a contract entered into under subsection (g)  
 6 and the term ‘reasonable cost reimbursement contract’  
 7 means a contract entered into under subsection (h).

8           “(B) The annual per capita rate of payment for each  
 9       payment area (as defined in paragraph (5)) shall be equal  
 10      to the annual capitation rate (as defined in paragraph  
 11      (4)), adjusted by the Secretary for—

12           “(i) individuals who are enrolled under this sec-  
 13       tion with an eligible organization that has entered  
 14       into a risk-sharing contract and who are enrolled  
 15       under part B only; and

16           “(ii) such risk factors as age, disability status,  
 17       gender, institutional status, end-stage renal disease  
 18       status, and such other factors as the Secretary de-  
 19       termines to be appropriate so as to ensure actuarial  
 20       equivalence. The Secretary may add to, modify, or  
 21       substitute for such factors, if such changes will im-  
 22       prove the determination of actuarial equivalence.

23           “(C) In the case of an eligible organization with a  
 24       risk-sharing contract, the Secretary shall make monthly  
 25       payments in advance and, except as provided in subsection

1 (g)(2), in accordance with the rate determined under sub-  
2 paragraph (B), to the organization for each individual en-  
3 rolled with the organization under this section.

4 “(D) The Secretary shall establish a separate rate of  
5 payment to an eligible organization with respect to any  
6 individual determined to have end-stage renal disease and  
7 enrolled with the organization. Such rate of payment shall  
8 be actuarially equivalent to rates paid to other enrollees  
9 in the payment area (or such other area as specified by  
10 the Secretary).

11 “(E)(i) The amount of payment under this paragraph  
12 may be retroactively adjusted to take into account any dif-  
13 ference between the actual number of individuals enrolled  
14 in the plan under this section and the number of such  
15 individuals estimated to be so enrolled in determining the  
16 amount of the advance payment.

17 “(ii)(I) Subject to subclause (II), the Secretary may  
18 make retroactive adjustments under clause (i) to take into  
19 account individuals enrolled during the period beginning  
20 on the date on which the individual enrolls with an eligible  
21 organization (which has a risk-sharing contract under this  
22 section) under a health benefit plan operated, sponsored,  
23 or contributed to by the individual’s employer or former  
24 employer (or the employer or former employer of the indi-  
25 vidual’s spouse) and ending on the date on which the indi-

1 vidual is enrolled in the plan under this section, except  
2 that for purposes of making such retroactive adjustments  
3 under this clause, such period may not exceed 90 days.

4 “(II) No adjustment may be made under subclause  
5 (I) with respect to any individual who does not certify that  
6 the organization provided the individual with the expla-  
7 nation described in subsection (c)(3)(E) at the time the  
8 individual enrolled with the organization.

9 “(F) Not later than March 1, the Secretary shall pro-  
10 vide for notice to eligible organizations of proposed  
11 changes to be made in the methodology from the meth-  
12 odology and assumptions used in the previous announce-  
13 ment under subparagraph (A) and shall provide eligible  
14 organizations with an opportunity to comment on the pro-  
15 posed changes.

16 “(2) With respect to any eligible organization that  
17 has entered into a reasonable cost reimbursement con-  
18 tract, payments shall be made to such plan in accordance  
19 with subsection (h)(2) rather than paragraph (1).

20 “(3) Subject to paragraphs (2)(B)(ii) and (7) of sub-  
21 section (c), payments under a contract to an eligible orga-  
22 nization under paragraph (1) or (2) shall be instead of  
23 the amounts which (in the absence of the contract) would  
24 be otherwise payable, pursuant to sections 1814(b) and  
25 1833(a), for services furnished by or through the organi-

1 zation to individuals enrolled with the organization under  
 2 this section.

3 “(4)(A) For purposes of this section, the ‘annual  
 4 capitation rate’ for a payment area for a calendar year  
 5 is equal to the greatest of the following (adjusted as pro-  
 6 vided by subparagraphs (F) through (H)):

7 “(i) The sum of—

8 “(I) the area-specific percentage (as speci-  
 9 fied under subparagraph (B) for the year) of  
 10 the area-specific capitation rate for the year for  
 11 the payment area, as determined under sub-  
 12 paragraph (C); and

13 “(II) the national percentage (as specified  
 14 under subparagraph (B) for the year) of the  
 15 input-price-adjusted national capitation rate for  
 16 the year, as determined under subparagraph  
 17 (D);

18 multiplied by a budget neutrality factor adjustment  
 19 factor determined under subparagraph (E).

20 “(ii) An amount equal to—

21 “(I) for 1998, 85 percent of the input-  
 22 price-adjusted national capitation rate for the  
 23 year, as determined under subparagraph (D);  
 24 and

1           “(II) for any succeeding year, the amount  
 2           determined under this clause for the preceding  
 3           year increased by the national average per cap-  
 4           ita growth percentage specified under subpara-  
 5           graph (F) for that succeeding year.

6           “(iii) An amount equal to—

7           “(I) for 1998, 100 percent of the annual  
 8           per capita rate of payment for 1997 for the  
 9           payment area (determined under this section,  
 10          as in effect on the day before the date of enact-  
 11          ment of the Rural Health Care Protection and  
 12          Improvement Act of 1997); and

13          “(II) for any succeeding subsequent year,  
 14          102 percent of the annual capitation rate under  
 15          this paragraph for the payment area for the  
 16          previous year.

17          “(B) For purposes of subparagraph (A)(i)—

18               “(i) for 1998, the ‘area-specific percentage’ is  
 19               85 percent and the ‘national percentage’ is 15 per-  
 20               cent;

21               “(ii) for 1999, the ‘area-specific percentage’ is  
 22               75 percent and the ‘national percentage’ is 25 per-  
 23               cent;

1 “(iii) for 2000, the ‘area-specific percentage’ is  
 2 65 percent and the ‘national percentage’ is 35 per-  
 3 cent;

4 “(iv) for 2001, the ‘area-specific percentage’ is  
 5 55 percent and the ‘national percentage’ is 45 per-  
 6 cent; and

7 “(v) for any year after 2001, the ‘area-specific  
 8 percentage’ is 50 percent and the ‘national percent-  
 9 age’ is 50 percent.

10 “(C) For purposes of subparagraph (A)(i)(I), the  
 11 area-specific capitation rate for a payment area—

12 “(i) for 1998, is the average of the annual per  
 13 capita rates of payment for the area for 1995  
 14 through 1997, after adjusting the 1995 and 1996  
 15 rates of payment to 1997 dollars, increased by the  
 16 national average per capita growth percentage for  
 17 1998 (specified in subparagraph (F)); and

18 “(ii) for any subsequent year, is the area-spe-  
 19 cific capitation rate for the previous year determined  
 20 under this subparagraph for the payment area, in-  
 21 creased by the national average per capita growth  
 22 percentage for that subsequent year.

23 “(D)(i) For purposes of clauses (i)(II) and (ii)(I) of  
 24 subparagraph (A), the input-price-adjusted national capi-  
 25 tation rate for a year for a payment area is equal to the



1 sum, for all the types of services under this title (as classi-  
 2 fied by the Secretary), of the product (for each such type  
 3 of service) of—

4 “(I) the national standardized capitation rate  
 5 (determined under clause (ii)) for the year;

6 “(II) the proportion of that rate for the year  
 7 that is attributable to that type of services; and

8 “(III) an index that reflects (for that year and  
 9 that type of services) the relative input price of the  
 10 services in the area compared with the national  
 11 input price of the services.

12 In applying subclause (III), the Secretary shall, subject  
 13 to clause (iii), apply those indices under this title that are  
 14 used in applying (or updating) national payment rates for  
 15 specific areas and localities.

16 “(ii) In clause (i)(I), the ‘national standardized capi-  
 17 tation rate’ for a year is equal to—

18 “(I) the sum (for all payment areas) of the  
 19 product of—

20 “(aa) the area-specific capitation rate for  
 21 the year for the area under subparagraph (C);  
 22 and

23 “(bb) the average number of individuals  
 24 entitled to benefits under this title who reside  
 25 in that area in the year; divided by

1           “(II) the total average number of individuals  
2           entitled to benefits under this title who reside in all  
3           payment areas for that year.

4           “(iii) In applying this subparagraph for 1998—

5           “(I) services under this title shall be divided  
6           into services under part A and services under part  
7           B;

8           “(II) the proportions described in clause (i)(II)  
9           for those types of services shall be—

10           “(aa) for services under part A, the ratio  
11           (expressed as a percentage) of the average an-  
12           nual per capita rate of payment for the area for  
13           part A for 1997 to the total average annual per  
14           capita rate of payment for the area for parts A  
15           and B for 1997; and

16           “(bb) for services under part B, 100 per-  
17           cent minus the ratio described in item (aa);

18           “(III) for services under part A, 70 percent of  
19           payments attributable to such services shall be ad-  
20           justed by the index used under section  
21           1886(d)(3)(E) to adjust payment rates for relative  
22           hospital wage levels for hospitals located in the pay-  
23           ment area involved; and

24           “(IV) for services under part B—

1           “(aa) 66 percent of payments attributable  
2           to such services shall be adjusted by the index  
3           of the geographic area factors used under sec-  
4           tion 1848(e) used to adjust payment rates for  
5           physicians’ services furnished in the payment  
6           area; and

7           “(bb) of the remaining 34 percent of the  
8           amount of such payments, 70 percent shall be  
9           adjusted by the index described in subclause  
10          (III).

11 The index values applied under this subparagraph shall  
12 be computed based only on the population of individuals  
13 entitled to benefits under this title by reason of section  
14 1811(1) who have not been determined to have end-stage  
15 renal disease. The Secretary may continue to apply the  
16 rules described in the preceding subclauses (or similar  
17 rules) in 1999.

18          “(E) For each year, the Secretary shall determine a  
19 budget neutrality adjustment factor so that the aggregate  
20 of the payments under this section shall equal the aggre-  
21 gate payments that would have been made under this sec-  
22 tion if the area-specific percentage for the year had been  
23 100 percent and the national percentage had been 0 per-  
24 cent.

1       “(F) For purposes of subparagraphs (A)(ii)(II) and  
2 (C), the national average per capita growth percentage  
3 shall be the percentage determined by the Secretary on  
4 an annual basis (not later than April 30 before the year  
5 concerned) to reflect the Secretary’s estimate of the pro-  
6 jected per capita rate of growth in expenditures under this  
7 title. Separate determinations shall be made for individ-  
8 uals entitled to benefits under this title by reason of para-  
9 graphs (1), (2), and (3) of section 1811. Such percentage  
10 shall include an adjustment for over-or-under projection  
11 in the growth percentage for previous years.

12       “(5)(A) For purposes of this section, except as pro-  
13 vided by subparagraph (B), the term ‘payment area’  
14 means a county, or equivalent area specified by the Sec-  
15 retary.

16       “(B) In the case of individuals who are determined  
17 to have end-stage renal disease, the payment area is a  
18 State or other area specified by the Secretary.

19       “(6) The payment to an eligible organization under  
20 this section for individuals enrolled under this section with  
21 the organization and entitled to benefits under part A and  
22 enrolled under part B shall be made from the Federal  
23 Hospital Insurance Trust Fund and the Federal Supple-  
24 mentary Medical Insurance Trust Fund. The monthly por-

1 tion of that payment to the organization to be paid by  
 2 each trust fund shall be determined as follows:

3           “(A) In regard to expenditures by eligible orga-  
 4 nizations having risk-sharing contracts, the alloca-  
 5 tion shall be determined each year by the Secretary  
 6 based on the relative weight that benefits from each  
 7 fund contribute to the adjusted average per capita  
 8 cost.

9           “(B) In regard to expenditures by eligible orga-  
 10 nizations operating under a reasonable cost reim-  
 11 bursement contract, the initial allocation shall be  
 12 based on the plan’s most recent budget, such alloca-  
 13 tion to be adjusted, as needed, after cost settlement  
 14 to reflect the distribution of actual expenditures.

15 The remainder of that payment shall be paid by the  
 16 former trust fund.

17           “(7) Subject to paragraphs (2)(B)(ii) and (7) of sub-  
 18 section (c), if an individual is enrolled under this section  
 19 with an eligible organization having a risk-sharing con-  
 20 tract, only the eligible organization shall be entitled to re-  
 21 ceive payments from the Secretary under this title for  
 22 services furnished to the individual.”.

23           (b) EFFECTIVE DATE.—The amendment made by  
 24 subsection (a) shall apply to contracts entered into under

1 section 1876 (42 U.S.C. 1395mm) on or after October 1,  
2 1997.

3 **SEC. 4. IMPROVING FAIRNESS OF MEDICARE FEE-FOR-**  
4 **SERVICE PAYMENTS.**

5 (a) IN GENERAL.—Subject to subsection (b), the Sec-  
6 retary of Health and Human Services shall increase or de-  
7 crease payments to providers of services, physicians, and  
8 other health care professionals under the medicare fee-for-  
9 service program under title XVIII of the Social Security  
10 Act (42 U.S.C. 1395 et seq.) in each payment area (as  
11 defined in section 1876(a)(5) of such Act (42 U.S.C.  
12 1395mm(a)(5)) (as amended by section 3 of this Act) to  
13 reflect, to the greatest extent possible, the proportionate  
14 increase or decrease, whichever is applicable, in payments  
15 to eligible organizations under section 1876 of such Act  
16 in payment areas by reason of the amendment made to  
17 such section by section 3 of this Act in order to ensure  
18 that payments to such providers of services, physicians,  
19 and other health care professionals are made on a fair and  
20 equitable basis.

21 (b) BUDGET NEUTRAL.—The total amount expended  
22 under title XVIII of the Social Security Act (42 U.S.C.  
23 1395 et seq.) shall not be increased or decreased by reason  
24 of the modification described in subsection (a).

1 (c) METHODOLOGY.—Not later than October 1,  
 2 1997, the Secretary shall submit a report to Congress that  
 3 contains the methodology to be used in determining the  
 4 increase or decrease in payments described in subsection  
 5 (a).

6 (d) EFFECTIVE DATE.—This section shall apply to  
 7 payments made under title XVIII of the Social Security  
 8 Act (42 U.S.C. 1395 et seq.) on and after October 1,  
 9 1997.

10 **SEC. 5. ASSURING INCREASED PAYMENTS FOR ADDITIONAL**  
 11 **BENEFITS AND IMPROVED INFRASTRUC-**  
 12 **TURE.**

13 (a) IN GENERAL.—The Secretary of Health and  
 14 Human Services shall take such steps as are necessary to  
 15 ensure, to the greatest extent possible, that an increase  
 16 in payments to eligible organizations under section 1876  
 17 of the Social Security Act (42 U.S.C. 1395mm) by reason  
 18 of the provisions of this Act are used by such organiza-  
 19 tions to—

- 20 (1) increase the provision of health care services  
 21 to beneficiaries under the medicare program under  
 22 title XVIII of such Act (42 U.S.C. 1395 et seq.); or  
 23 (2) to improve health care services infrastruc-  
 24 ture.

1       (b) REPORT.—Not later than 1 year after the date  
2 of enactment of this Act, and annually thereafter, the Sec-  
3 retary of Health and Human Services shall submit a re-  
4 port to the appropriate committees of jurisdiction of Con-  
5 gress that contains a detailed description of the steps  
6 taken by the Secretary pursuant to subsection (a) and the  
7 results of such steps.

○